

U.S.-CAFTA-DR Free Trade Agreement

Alaska Farmers Will Benefit.

May 2005

Exports of farm products help boost Alaska's farm prices and income. Such exports help support jobs both on and off the farm in food processing, storage, and transportation. In 2003, Alaska's farm cash receipts were \$51 million, and agricultural exports were nearly \$1 million. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase Alaska's exports of agricultural products.

Alaska Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)

Despite over \$1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including Alaska's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

Dairy. As the state's 3rd largest source of state farm cash receipts (\$3.2 million), Alaska dairy producers benefit from the FTA.

- U.S. dairy exporters currently face duties as high as 60 percent, and the WTO permits duties as high as 100 percent.
- Each country will establish duty-free TRQs for certain dairy products totaling over 10,000 metric tons across the six countries – and each will receive the same level of TRQ access for dairy products entering the United States.
- TRQs will grow by 5 percent per year for the Central American countries and 10 percent per year for the Dominican Republic, with certain dairy products subject to safeguards during the phase-out period.
- All Central American and Dominican duties will be eliminated within 20 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Potatoes and Products. With state farm cash receipts of \$2.4 million, Alaska potato producers benefit from the FTA.

- U.S. exporters currently face duties around 15 percent (duties on sensitive products may be higher), and the WTO permits duties as high as 60 percent.
- All duties on potatoes will be eliminated over 15 years, except for fresh potatoes in Costa Rica, where liberalization will occur through expanded TRQ access with an initial quantity of 300 metric tons.
- Four Central American countries will provide immediate duty-free access for frozen french fries, while the Dominican Republic will phase-out duties over 5 years.

- Access for frozen french fries into Costa Rica will entail a 6 year tariff phase-out with a 2,631 metric ton TRQ growing at a 5 percent compounded rate.
- *The National Potato Council, the American Potato Trade Alliance, Washington State Potato Commission, the American Frozen Food Institute, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Beef. Contributing \$1.4 million in state farm cash receipts, Alaska cattle and calve producers benefit from the FTA.

- Current import duties on U.S. beef exports are as high as 30 percent, and the WTO permits duties as high as 79 percent.
- Duties on the products most important to the U.S. beef industry – Prime and Choice cuts – will be eliminated immediately in Central American countries, while the Dominican Republic will establish a zero duty TRQ of 1,100 metric tons which expands annually as duties are eliminated.
- Some immediate duty-free access will be provided by certain countries on other beef cuts through an initial TRQ totaling 1,165 metric tons, expanding annually until duties are fully phased-out.
- Duties currently applied to other beef products and beef offals will be phased-out in 5 to 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, and the U.S. Meat Export Federation have expressed support publicly for the CAFTA-DR FTA.*